

# Corporate management and the institutions of higher education

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There are indications that the Federal Government is planning to bring strong pressures on the universities and colleges to alter their administrative structures to fall in line with corporate management practices and to introduce the management philosophies of private industry into their administrations. Already some institutions have fallen in line and others are preparing the ground for change.

This article examines the background to the introduction of the administrative structures of the corporate sector to the public service in Australia and the implications this has for the universities and colleges.

Corporate management was seized upon by the State and Federal Labor Governments in the early and mid 1980s as a means of assuring the effective implementation of Labor policies. The experience of the Whitlam Government (1972-5) where the public service had effectively delayed or sabotaged many of the Whitlam initiatives or simply failed to carry them out through sheer incompetence, was fresh in the minds of the Labor politicians. They wanted a responsive, loyal and competent public service and one of the means of achieving this was to be the introduction of the 'efficient' methods of the private sector in the public service.

## The Cain experience

John Cain's government in Victoria was the first to apply corporate management practices to the public service administration because they were seen to offer an administrative framework which had built in devices for ensuring accountability and for testing performance i.e. for making sure that government policy initiatives would be implemented and for pin-pointing those responsible if they were not implemented.<sup>1</sup> When the Hawke Government was elected in 1983 it took immediate steps to implement its election pledge to reform the public service. The Government's intentions were outlined in the paper *Reforming the Australian Public Service* which was directed at applying the managerial practices of the private sector to the public service. It specifically sought to ensure 'streamlining the central system for organising human and financial resources to accommodate greater ministerial involvement and management flexibility'.<sup>2</sup> As a result of these developments corporate management practices have swept through the Victorian and the Commonwealth public services and spread to the other states.

Corporate management has its genesis in the administrations developed by the large corporations of the United States in the early years of this century. Over the years it has developed quite a specific administrative style for the functioning of private companies where the end result — profit — is the key performance indicator.

In the classic corporate management approach the key operators are the managers as distinct from the floor workers. Policy directions flow down the line from the general manager advised by a group of middle level managers (the corporate group) to the managers of each shop floor. Under this system the floor workers have no say in policy formulation.

The main distinguishing features of this structure are the emphasis on quantifiable objectives, clear role specifications and the testing of the implementation of the objectives by some form of performance indicators. In theory this enables responsibility for good or bad performance to be targeted on specific individuals or departments, remembering that the whole aim of the operation is to secure a profitable product.

In this system managers pass through a hierarchy eventually (for some) reaching the peak of general manager. However, this peak will most likely not be reached in the same company because transfers and promotions to other companies are an accepted part of the system. It is assumed that 'managerial expertise' can be used across a variety of companies — the basics of management being applicable almost to any situation. Thus a manager is not required to have any knowledge of the product other than that which can be gained by a short staff development program. The Federal Government applied

these principles to the public service by making all senior executive service positions open to competition from outside the service, requiring mobility of senior public servants between departments and placing managerial ability above experiential skills as the key criterion for the selection of personnel.<sup>3</sup>

## The problems in higher education

There are some real problems in applying corporate management techniques to educational institutions. One of the inherent assumptions of this approach is that policy and operational roles can be separated. The manager in private industry has a set of management procedures which he (it is invariably a male) applies to any problem i.e. so called 'value free' bureaucratic mechanisms such as efficiency measures, time and motion studies, performance tests, dismissal and transfer of staff procedures. These not only shield the manager from having to have any particular expertise in the area over which he has control, but they also de-personalise the problems. It means that the instrumental approach becomes paramount.

It is not so easy to separate policy and operational roles in an educational institution. Most universities and colleges have a history of staff participation in policy as well as operational matters. Course development, degree and diploma programs, research projects, resource allocation, are all examples of areas where those actually carrying out the work at the floor level also participate in the policy making process. This is mostly achieved by appointment or election of academic staff to committees where policies are determined.

These procedures are anathema to the corporate management strategist who sees policy and operational roles as being clearly separated. The actual teachers/research workers are seen as the recipients in the policy making process, rather than participants. They carry out the objectives laid down by the managers who have direct line responsibility to the general manager and thence to the government. If proposals do come forward as they must in any educational institution, the main criterion for their ac-

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ceptance or rejection becomes whether or not they fit the guidelines laid down by government and applied by management.

There are also problems with performance indicators which are directly linked to the corporate management guidelines. The assumption is that the performance of an educational institution and an individual can be measured in much the same way as a private company assesses its profits and losses e.g. norms could be established which could lay down the number of articles which each academic could be expected to publish each year, or an institution could be judged according to efficiency criteria i.e. how many students graduate over a short period etc.

In the above scenario there is no room for an educational institution or its workers to show initiatives outside the prescribed guidelines. Education becomes instrumental and authoritarian judged by criteria established by remote authorities who often have anything but educational aims in mind.

### The university model

Historically Australian universities have favoured a dual administrative structure. This was linked directly with the separation of functions between university councils/senates and professorial/academic boards. While in theory councils were the final authority in the university, in practice in most universities decisions relating to academic matters were generally made by the professorial boards and formally ratified by the councils. The councils concerned themselves with the general administrative functions such as buildings, colleges, finance etc. In line with this the registrar was concerned mainly with the academic stream of administration and the business manager/bursar with the general administration.

The academic input in this dual structure took place on committees which were the responsibility of the registrar and they generally reported to the professorial board. The deans as heads of the faculties/schools were important in the decision making process as members of the professorial board, but also in most cases as members of a smaller committee advising the vice-chancellor on financial and academic matters.

In recent years some universities and colleges have moved to unitary structures although it is very difficult to generalise

about these. It is clear though that the underlying assumptions of the corporate management approach have been uppermost in the minds of the reformers. This has meant the bringing together of the two strands of the dual system under one administrative head (general manager/vice-principal) and attempting to meld the two strands in one corporate structure. Generally this has meant the appointment of a number of managers constituting the corporate management group each responsible for specific functions e.g. corporate planning and services, finance, staffing and secretariat, student affairs, buildings and grounds, with all responsible to the general manager.

However, in devising a unitary structure the main problem is what to do with the pro vice-chancellors, the deans and chairpersons of departments i.e. the academic input to administration. In a university the deans and chairpersons are a crucial part of the administration. They are a bridge between academic staff and administration, but because of their links with both operational and administrative functions they do not fit readily into the corporate management structure. They are appointed in a variety of ways but some element of election is usually part of the process e.g. election of staff representatives to the selection committee for deans. Whatever the manner of appointment they are most unlikely to have had managerial experience or training in the corporate management sense. They are invariably drawn from the academic staff and will have experiential knowledge in a particular area and in most cases will continue to do some work in that area during their period as chairperson or dean. They almost certainly will return to work at the operational level after their period of office expires. In these ways deans and chairpersons break all the rules of corporate management.

This is a real problem facing reforming vice-chancellors and college directors. A corporate structure is predicated on line management with each level given specific responsibilities and taking orders from above. Do deans and chairpersons slot into a single line management structure or do they have a separate academic line of management or do they simply remain outside the line management structure as advisory groups to the head of the institution? Clearly in whatever structure is proposed there is the danger that the academic input into administration will be seriously weakened, especially if the reforming vice chancellor's/college director's notion of corporate management practices is of the traditional type referred to in this article.

There is also the problem of how deans and chairpersons are selected. As the Vice-Chancellor of the University of

Melbourne put it recently:

*Management of the University's activities and resources can only be delegated to deans and to heads of departments if we appoint people with managerial capacity . . . designation of a dean or a chairman (sic) solely on a popularity vote does not necessarily lead to the selection of a person to whom major management responsibility can be delegated.<sup>4</sup>*

With such a scenario where management ability becomes the main criterion for the selection of deans and chairpersons, there is no room for democratic processes in their selection. The possibility of career positions in these fields is opened up with the danger that permanent deans and chairs will become increasingly remote from the workplace.

This also means that those academics who decide to take the management track will be expected to undertake corporate management training and may not necessarily be expected to return to mainstream academic teaching and research. The White Paper makes it clear that tertiary institutions will be expected to expand their staff management training programs which are seen as on a par with programs to improve research, teaching and scholarships.<sup>5</sup>

It is not only the democratic features of the universities and colleges that are under threat by the institution of corporate management practices, but also the freedom of the academics at the grass roots level in the departments to manage their own affairs. A recent discussion paper from a committee of the Senate of the University of Western Australia put the problem quite succinctly —

*The use of individual academic departments as the sole budget units below the level of the University on a whole impedes the ability of the University to arrive at decisions about corporate priorities and associated trade-offs because there is no way of requiring groups of departments to evaluate priorities collectively . . . There is a need for an intermediate body through which departmental priorities can be filtered . . .<sup>6</sup>*

The White Paper makes it clear that tertiary institutions will be under strong pressure from the Federal Government to reorganise their administrative structures along corporate management lines. 'The Government's primary concern is with the effective performance of the higher education system as reflected in the development and implementation of strategic planning, performance monitoring and review, according to the agreed educational profile for each institution'. Then follows seven steps embodying the classic corporate management approach

— goals related closely to institutional profile, current provision, current provision in relation to institutional roles and objectives, planning for next three years, mechanisms to implement policy changes, mechanisms to respond to employer and community needs and performance indicators.<sup>7</sup>

It is worthwhile looking at two of the key strategies in this plan — the institutional profile and performance indicators to understand the *modus operandi* of corporate management.

## The Profile

*The educational profile is an agreement between the Commonwealth and an institutional member of the unified national system. This profile will be the principal means for defining the role of the institution and the basis on which it receives Commonwealth funding . . . After negotiation . . . the agreed profile will provide the basis for gauging the resources needed to fulfil the institution's mission and goals, and for assessing its performance.<sup>8</sup>*

The profile is the chief means by which the government seeks to enforce conformity to government policy. The institution has to negotiate a profile which is acceptable to government. Funds will only be available to the institution that can demonstrate that it is paying 'due regard to national priorities' (government policy) and 'to the objectives of improved efficiency and effectiveness'. The profile is gathered by the institution according to specific guidelines laid down by the government.<sup>9</sup>

The profile is the basis for measuring the performance of an institution — an essential feature of the corporate management approach. It was not surprising that the guidelines for preparing the institutional profiles sent to institutions in 1988 stressed those aspects of an institution which could be readily measured quantitatively, the assumption being that, as in private industry, all aspects of an institution's work could be described in quantitative terms.

For the research profile the institutions were to select six programs in each classification and the criterion to be used was either 'minimum identifiable expenditure on the program' of \$50,000 p.a. (staff, equipment, materials but not academic salaries), or a program 'wholly or significantly' involving six or more staff and research students. While DEET made it clear that in this first attempt at producing profiles there were to be no funding implications, the pattern for the future was clearly defined. Institutions were to be judged according to expenditure on research programs and numbers working on a program — both easily

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quantifiable. Research involving small numbers or individuals not requiring large amounts of finance was ignored.

## Performance Indicators

These are seen as the key to assessing the institutions performance and that of its staff. The *Review of Efficiency and Effectiveness in Higher Education* indicated the type of performance indicators applicable to tertiary institutions e.g.

### Internal

- success rates
- graduation rates
- market share of student application for admission
- number of dissertations accepted

### Operating indicators

- student workload
- student/staff ratio
- unit costs
- class size
- diversity of options offered to students
- staff workloads
- staff ratios

For research, number of publications, citation notices, inventions, patents, awards, invitations to conferences, were some of the indicators suggested.<sup>10</sup>

The same report sets out an excellent case against the use of these indicators showing clearly their inappropriateness to an educational institution. It points out that educational institutions often have multiple objectives as do individual departments and some may be mutually inconsistent e.g. seeking to increase participation in higher education while at the same time trying to avoid surpluses of graduates; achieving high quality research while responding quickly to the needs of industry or the community.

Because of the variety of objectives there can be no simple quantitative criteria for measuring success in achieving objectives e.g. assessing an institution on the number of successful graduates ignores the personal growth gained by those who only complete part of a course. Are educational institutions solely concerned with credentials? The results of many research efforts may not be seen for years.

'From one point of view education is an investment in the future, yielding its dividends in the next generation. On the other hand, governments have a shorter horizon . . .'<sup>11</sup>

The most recent example of how performance indicators will be applied to institutions can be seen in a report from the Victorian Post Secondary Education Commission in August this year. The chairman of the Commission is R.B. Cullen who has been one of the leading activists in the Victorian Public Service on the application of corporate management practices since the election of the Cain Government in 1982.<sup>12</sup> *A Higher Education Plan for Victoria 1989-1991* is permeated with the jargon of corporate management 'productivity improvements', 'effective resource management', 'cost effective', 'priority initiatives', 'unit costs' etc. But more significantly as an indication as to what the corporate ideologues have in store for the tertiary institutions, there are tables of 'general indicators of institutional performance' for Victorian tertiary institutions based on six performance indicators.

Within each of the six groups the institutions are rated as in the upper, middle or lower range. The six are:

- **Completion rates** — number of course completions in each course and field of study with the number of commencements x years earlier.
- **Institutions with higher proportions of students enrolled in programs of more than 100 EFTSU** in the upper group.
- **Resource efficient institutions** — assumes uniform resource requirements across all institutions.
- **Space availability** — institutions in upper group have greater capacity for enrolling increased student load without need for additional capital expenditure (cost effective).
- **Planning ranges** — based on DEET planning range for each institution providing a band of student load within which institutions are expected to operate for a given level of funding.
- **Student demand** — institutions in upper groups attract higher scoring students on average VCE (HSC) scores.<sup>13</sup>

It was little wonder that the newspapers seized on these performance indicators for their headlines. The *Age* gave front page treatment under the heading 'Deakin, Footscray Least Efficient, Says Report'. The Report was 'well received' by the federal education ministry.<sup>14</sup>

## Conclusion

It is worth remembering in all the rhetoric of the White Paper what Paul Bourke wrote in the last issue of *The Australian Universities' Review* that the principal goal of the exercise was 'the

establishment of a new level of ministerial control over Australian universities'.<sup>15</sup> Part of this is the reorganisation of the governing structures of the tertiary institutions wherein the underlying aim is not just efficiency in the managerial structure of universities and colleges, but the speed by which government decisions can be implemented. An administration based on the corporate model will offer fewer barriers to policy implementation. The corporate managers are less likely to challenge the orders/demands of DEET and the Minister since it is fundamental to the traditional corporate management approach that orders from above are accepted without question.

Moreover in this situation the fewer institutions the Canberra bureaucracy has to deal with the simpler the process of conveying the government's wishes and the more of the administrative hackwork that can be thrown back to the institutions. As Richard Blandy has put it 'subjective political priorities dominate decision-making and co-ordination requires as few (and, therefore, as large) producers as possible'.<sup>16</sup> The chances are that any new, amalgamated institutions will have corporate structures. This may be part of the hidden agenda of the push for amalgamations, since the alleged reason — cost savings — is very problematic.

In this article it has been emphasised that the approach of the corporate ideologues has been to institute management techniques along *classic* or *traditional* corporate management lines. There appears to be little or no awareness that in private industry over the last twenty years many of the more successful companies have drastically modified their corporate structures. They have discovered that systems based on a command structure demoralise the workers on the factory floor and that it is much more productive and profitable in the long term to develop expert autonomous units and to encourage their members to try new ideas and carry out experiments, even to make mistakes, and to maintain a constant interplay between themselves and management.<sup>17</sup> This requires a system that can accommodate 'bottom up' rather than 'top down' values, very different from the management systems which are being imposed on tertiary institutions under DEET and the Federal Government.

These new managerial structures which DEET and the reforming vice-chancellors and college directors are working towards have the potential to completely undermine academic input into the administration of the universities and colleges. Australian institutions of higher education have a long history of academic staff participation in the affairs of their institu-

tions. While the degree of participation has varied from one institution to another, it has been generally accepted that staff are actively involved in decisions related to the vital teaching and research functions of their institutions e.g. courses of study, finance, resource support services, awards, leave, research grants etc.

A traditional corporate structure would have professional managers replacing academic staff in the decision making processes of the institution — managers who may have no particular expertise or experience in higher education matters. While at present it is unlikely that such managers would be appointed, it is a scenario that we could face in the not too distant future. It would make the break between the work-face and management complete and ensure the dominance of instrumentalism and increased conformity to government directives in our institutions of higher education.

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